

Office of Chief Counsel
Internal Revenue Service
memorandum

CC:LM:CTM: [REDACTED]: POSTF-157396-01
[REDACTED]

date: **MAY 30 2002**

to: Examination Division
Attention: [REDACTED], Team Manager
[REDACTED], Revenue Agent
[REDACTED]

from: [REDACTED], Associate Area Counsel (LMSB)
[REDACTED], Attorney (LMSB)

subject: Taxpayer: [REDACTED], [REDACTED].
EIN: [REDACTED]
Issues: Review of Proposed Adjustments
Taxable Year Ended: September 30, [REDACTED]

DISCLOSURE STATEMENT

This writing may contain privileged information. Any unauthorized disclosure of this writing may have an adverse effect on privileges, such as the attorney client privilege. If disclosure becomes necessary, please contact this office for our views.

This memorandum is pursuant to your request for our advice.
This memorandum should not be cited as precedent.

ISSUES

We have reviewed your proposed adjustments involving the following issues:

(1) The first proposed adjustment (the relevant Form 886-A, "Explanation of Items," is attached hereto as **Exhibit A**) deals with the accrual of income under I.R.C. § 451 and two related issues involving a bad debt deduction and the nonaccrual experience method of accounting, as follows:

(a) Whether, under the accrual method of accounting, the Taxpayer may exclude from gross income those amounts that it expects to credit or refund to new subscribers in the following taxable year;

(b) Whether the Taxpayer may deduct estimated bad debts; and

(c) Whether the Taxpayer may rely upon the nonaccrual experience method of accounting provided in I.R.C. § 448(d)(5) to exclude from income the amount of estimated uncollectibles.

(2) The second proposed adjustment (the relevant Forms 886-A and 5701, "Notice of Proposed Adjustment," are attached hereto as **Exhibit B**) deals with computing the I.R.C. § 481(a) adjustment and a related issue of built-in gains tax under I.R.C. § 1374, as follows:

(a) Whether the Taxpayer understated its I.R.C. § 481(a) adjustment by reducing its accounts receivable by a bad debt reserve; and

(b) Whether an increase in the Taxpayer's I.R.C. § 481(a) adjustment results in additional tax on built-in gain under I.R.C. § 1374.

(3) [REDACTED], (b)(7)a, (b)(5)(AWP), (b)(5)(AC)

CONCLUSIONS

(1) First Proposed Adjustment

(a) We agree with Exam that the Taxpayer may not exclude from gross income the amount of refunds or credits that was actually issued, or estimated to be issued, in the subsequent tax year.

(b) We agree with Exam that the Taxpayer may not deduct estimated bad debts.

(c) We agree with Exam that the Taxpayer may not rely on the nonaccrual experience method of accounting to prevent the accrual of estimated uncollectibles.

(2) Second Proposed Adjustment

¹ [REDACTED], (b)(7)a, (b)(5)(AWP), (b)(5)(AC)

(a) We agree with Exam that the Taxpayer understated its I.R.C. § 481(a) adjustment by excluding a bad debt reserve from its accounts receivable.

(b) We agree with Exam that an increase in the Taxpayer's I.R.C. § 481(a) adjustment is subject to built-in gains tax under I.R.C. § 1374.

(3) Third Proposed Adjustment

█, (b)(7)a, (b)(5)(AWP), (b)(5)(AC)

FACTS²

█ (the "Taxpayer") was incorporated in the State of █ on █. The Taxpayer is a █ that provides █ services to commercial subscribers in █ states. The Taxpayer █ services █ and █ them to its commercial subscribers.

Over the years, the Taxpayer has used either the cash or the accrual method of accounting and operated as either a subchapter C or a subchapter S corporation, as follows:

<u>Corporate Type</u>	<u>Accounting Method</u>	<u>Years</u>
C-corp	Cash	█ through █
C-corp	Accrual	(short year)
S-corp	Accrual	(the year at issue)
		(short year)
C-corp	Accrual	█

For the taxable year at issue (i.e., █), the Taxpayer operated as a subchapter S corporation using the accrual method of accounting.

For ease of reference, additional facts relevant to each proposed adjustment are discussed below under the relevant

² Our understanding of the facts of this case is limited to the information that you have provided. We have not undertaken any independent investigation of the facts of this case. If the facts known to us are incorrect or incomplete in any material respect, you should not rely on this advice, but instead, should contact our office immediately.

section.

DISCUSSION

I. First Proposed Adjustment (Exhibit A)

A. Accrual Method of Accounting

1. Facts

The Taxpayer used third-party telemarketers to contact potential subscribers and to induce them to switch their [REDACTED] service [REDACTED]. In order for the change-in-service to be valid, the Taxpayer had to comply with all applicable federal and state laws against "[REDACTED]".³

The Taxpayer has represented the following. See Taxpayer's write-up, attached hereto as **Exhibit D**. During [REDACTED] and [REDACTED], federal regulations required a change-in-service obtained through telemarketing to be verified through one of several means, such as obtaining the customer's written or electronic authorization, using third-party verification, etc. When a violation occurred, Federal Communications Commission required the offending [REDACTED] [REDACTED] to credit or refund to the subscriber the amount by which its rates exceeded those of the previous [REDACTED] and to pay over to the previous [REDACTED] the amount that the subscriber would have paid for equivalent service. In addition, the offending [REDACTED] [REDACTED] was liable for any charges assessed by the [REDACTED] [REDACTED] resulting from the unauthorized switch. State laws provided for remedies in addition to those provided under federal law.

The Taxpayer has further represented that, rather than obtaining a written customer consent or authorization, it used third-party verification of the change-in-service; consequently, without written documentation, the Taxpayer had "no real defense" when a new subscriber (referred to by the Taxpayer as a "Trial Basis subscriber"⁴) disputed the change-in-service. Furthermore,

³ "[REDACTED]" [REDACTED] subscriber's [REDACTED] carrier without the subscriber's [REDACTED].

⁴ According to Exam, the term "Trial Basis subscriber" is strictly Taxpayer's terminology; the law does not contemplate a "trial basis" [REDACTED] subscriber. We note that the change-in-service is permanent, unless the new subscriber subsequently challenges the switch.

the Taxpayer did not bill its subscribers directly; rather, its bills were placed and consolidated with the billings of the subscriber's █. The Taxpayer has stated that, as a matter of regular practice, the █ automatically credited the disputed charges to the new subscriber's account. The Taxpayer states that it did not always know what amounts were billed to new subscribers and what portion was subsequently disputed and credited to the subscriber's account until long after the fact.

A relevant portion of the Taxpayer's Form 1120S (U.S. Income Tax Return for an S Corporation) for the year at issue is attached hereto as **Exhibit E**.⁵

On Line 10 of its 9709 Form 1120S, the Taxpayer claimed a bad debt deduction of \$█, computed as follows:

Actual expenses incurred by year end		\$ █
█ ⁶ credits issued		
█ - █ (i.e. █ year)	\$ █	
Taxpayer credits issued		
█ - █ (i.e. █ year)	\$ █	
Taxpayer estimated credits through █		
(i.e. █ year)	\$ █	
		\$ █
Adjustment		\$ (█)
Total Bad Debt claimed		\$ █

At issue is the amount of \$█ which represents credits that were issued, or estimated to be issued in the █ year. On the █ Form 1120S, the Taxpayer reported this amount in gross receipts (Line 1c), but also deducted said amount as bad debt (Line 10).

Since having filed the █ Form █, the Taxpayer's position seems to have changed. Rather than arguing that the amount of \$█ constitutes bad debt, the Taxpayer now argues that this amount is not accruable as income under the all-events test.⁷ Thus, in its write-up (**Exhibit D**), the Taxpayer

⁵ The Service received the Taxpayer's █ Form 1120S on █.

⁶ █ refers to █, which handled the Taxpayer's billings for █ services rendered.

⁷ The Taxpayer seeks to exclude this amount from income, and as a consequence, concedes that this amount is not subject to the bad debt deduction. See Treas. Reg. § 1.166-1(e). Page 26

has changed the focus of the discussion from bad debts to the all-events test.

The Taxpayer's argument can be distilled as follows: (1) a new subscriber can claim that the amounts billed by the Taxpayer were unauthorized; (2) because the Taxpayer has no written proof, the Taxpayer has no defense against these challenges; (3) as a regular business practice, the [REDACTED] [REDACTED] [REDACTED] credited all disputed charges to new subscribers; and (4) the Taxpayer had "no assurance that bills issued to new subscribers would ever be paid." According to the Taxpayer, these facts qualify as contingencies that prevent the accrual of income related to [REDACTED] services provided to the new subscribers.

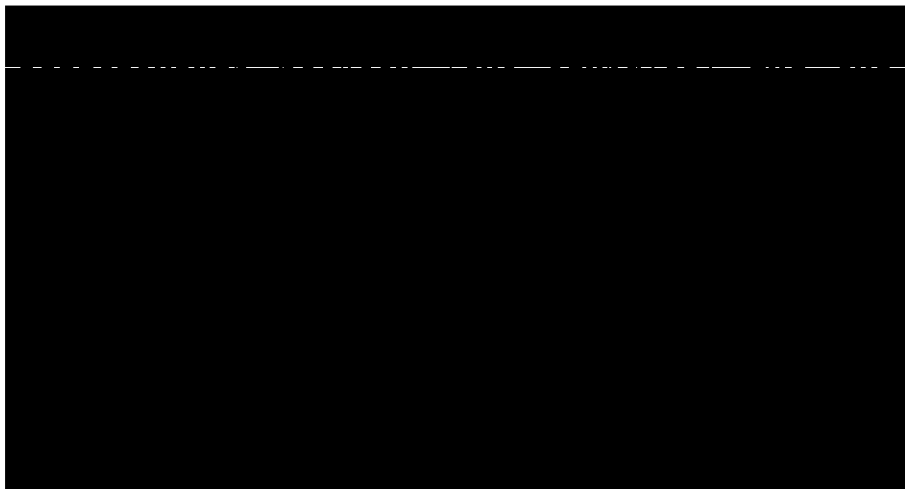
2. Law and Analysis

I.R.C. § 61 provides that gross income means income from whatever source derived.

I.R.C. § 451 provides the general rules for determining the taxable year in which an item of income must be included. The key to the accrual method of accounting is the well recognized "all events" test--that is, an accrual method taxpayer recognizes income in the taxable year in which all the events have occurred which fix the right to receive such income and the amount can be determined with reasonable accuracy. Treas. Reg. § 1.446-1(c)(ii); accord Treas. Reg. § 1.451-1(a).

I.R.C. § 451(f) provides a special rule for taxpayers providing "utility services," defined to include [REDACTED] and

of the Taxpayer's write-up states:



other [REDACTED] services. I.R.C. § 451(f)(2)(A) [REDACTED] I.R.C. § 451(f) states that, in the case of a taxpayer using an accrual method of accounting, any income attributable to the sale or furnishing of utility services to customers is includible in gross income no later than the taxable year in which the services are provided to customers, without reference to when meters are read and customers are billed.

a. The All-Events Test

The law is firmly established that, under the accrual method, the right to receive income, not the actual receipt of income, is controlling. Resale Mobile Homes, Inc. v. Commissioner, 965 F.2d 818 (10th Cir. 1992) (citing, as example, Spring City Foundry Co. v. Commissioner, 292 U.S. 182, 184-85 (1934)). When the right to receive an amount becomes fixed, the right accrues. Spring City Foundry Co., supra.

Under the accrual method, all of the events that fix the right to receive income occur when (1) the required performance takes place, (2) payment is due, or (3) payment is made, whichever happens first. See Schlude v. Commissioner, 372 U.S. 128 (1963). See also Rev. Rul. 79-266, 1979-2 C.B. 203; Rev. Rul. 84-31, 1984-1 C.B. 127.

In applying the all events test, courts have distinguished between conditions precedent (i.e. conditions that must occur before the right to income arises) and conditions subsequent (i.e. conditions, whereby its occurrence will terminate an existing right to income but does not preclude the accrual of income). Charles Schwab Corp. v. Commissioner, 107 T.C. 282 (1996).

Generally, the reasonable accuracy requirement is met as long as there is an agreement on the basis under which the amount due is to be calculated. See Frost Lumber Industries, Inc. v. Commissioner, 128 F.2d 693, 694 (5th Cir. 1942) ("Though the computation may be undetermined, if the basis for the computation is unchangeable and though the exact amount may be unknown, if it is not unknowable, the item in such cases is to be treated, for tax purposes, as accrued income."); Food Machinery & Chemical Corp. v. United States, 286 F.2d 177, 184 (Ct. Cl. 1960), cert. denied, 368 U.S. 918 (1961) (reasonable accuracy met where there was a tentative agreement on formula to calculate compensation due for cancellation of government contract). When an amount of income is properly accrued on the basis of a reasonable estimate and the exact amount is subsequently determined, the difference, if any, is to be taken into account in the taxable year of such determination. Treas. Reg. § 1.451-1(a).

b. Application of Law to Facts

In the present case, the Taxpayer has not demonstrated that any portion of \$ [REDACTED] was not accruable as income in the taxable year ended [REDACTED].

It is clear that the Taxpayer's right to receive the payment accrues, under the all-events test, in the taxable year that the [REDACTED] services are rendered. I.R.C. § 451(f) literally requires the Taxpayer to recognize income no later than the year in which the utility services are provided. Here, assuming that the amount of \$ [REDACTED] relates to [REDACTED] services rendered in taxable year [REDACTED], the Taxpayer must accrue this amount as income in said year.

Moreover, when it bills its subscribers, the Taxpayer obviously believes it is entitled to receive the payments. The act of issuing a bill demonstrates that the Taxpayer believes that the all-events test has been satisfied--that is, the Taxpayer has performed all events that fix the right to receive payment in the billed amount.

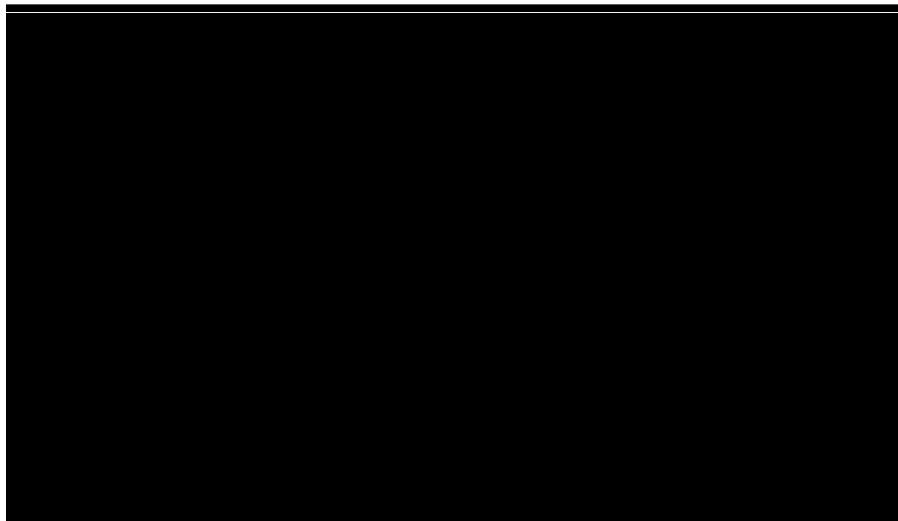
In addition, the possibility that a new subscriber may dispute the charges does not constitute a contingent precedent that bars the accrual of income. If such were the rule, then no accrual based taxpayer would accrue income as long as there was some possibility that payment would not be received. Generally, the accrual method does not take account of collection problems except for possible bad debt treatment in later years. See Tech. Adv. Mem. 82-37-001 (May 27, 1982). In the case at hand, once the Taxpayer provides the [REDACTED] service, its right to receive the income becomes fixed and there is no condition precedent remaining to the subscriber's obligation to pay the charges.⁸

The Taxpayer relies on the fact that it cannot compel payment from new subscribers to justify the nonaccrual of income. This argument was rejected in Commissioner v. Hansen, 360 U.S. 446 (1959). There, the taxpayers argued that if they could not presently compel payment, they had not acquired a presently

⁸ On Page 21 of the Taxpayer's write-up (**Exhibit D**), the Taxpayer argues that income should be accrued only when "the amounts charged are actually paid and not subsequently contested." This is clearly NOT the standard for income accrual. If it were, amounts billed to a "trial basis" customer might never be income, because it is unclear how long the Taxpayer (or the Service) should wait to see if the charges are subsequently contested.

enforceable right to the payment; consequently, they argued that the amount owing to them should not constitute accrued income. Rejecting this argument, the Supreme Court noted that it is the time the taxpayer acquires the fixed right to receive payment, and not the time the taxpayer actually receives payment, that determines when the payments accrue and are taxable.

The Taxpayer relies also on the facts that it had "no assurance that such bills [i.e. bills issued to new subscribers] would ever be paid," and that it did not often know what amounts were credited to new subscribers' accounts until "long after the fact." Page 12 of the Taxpayer's write-up (**Exhibit D**). These arguments are unconvincing. A mere possibility that a bill will not be paid does not prevent the accrual of income. Furthermore, the Taxpayer's admission that it did not know the amount of credits until "long after the fact" undermines its position that the amount at issue is not accrued income. By the Taxpayer's own admission, it was unlikely that, as of the █ year-end, the Taxpayer would have known the amount of credits and refunds it would have to issue for █ services rendered in the █ year. In fact, it is important to understand how the amount of \$█ was computed:



Page 13 of Taxpayer's write-up (**Exhibit D**).

In the passage above, the Taxpayer represents that as of █, it "actually issued" \$█ of credits or refunds. This statement is inaccurate. As of █, only

⁹ This statement is erroneous. On the █ Form 1120S, the Taxpayer recognized the "Disputed Charges" as gross income, but also took a bad debt deduction.

\$█ was actually issued (in the █ taxable year); the remaining amount of \$█ was an estimate of credits and refunds the Taxpayer expected to issue in the remaining months of its █ taxable year. The foregoing passage makes clear that the Taxpayer retroactively applied the information available in the █ year to prepare its █ tax return.

Taxable income must be computed and taxed on an annual basis through the filing of an annual return showing the net result from all of a taxpayer's transactions during the year. Under this approach, a transaction must be accounted for on the basis of the facts available in the year the transaction occurs. See Security Flour Mills Co. v. Commissioner, 321 U.S. 281 (1944).

Here, the Taxpayer has not demonstrated that any portion of \$█ was uncollectible as of the █ year-end. Contrary to the Taxpayer's argument, the fact that a certain amount was refunded in the █ taxable year does not have any bearing on whether this amount is excludible from income in the █ year.

B. Bad Debt Deduction

1. Facts

Assuming that the Taxpayer must accrue \$█ as income in the █ taxable year, the issue is whether the Taxpayer is entitled to a bad debt deduction for said amount.

2. Law and Analysis

I.R.C. § 166(a) allows a deduction for any debt which becomes worthless within the taxable year. A bona fide debt is one which arises from a debtor-creditor relationship based upon a valid and enforceable obligation to pay a fixed or determinable sum of money. Treas. Reg. § 1.166-1(c). If a debt represents an item of income, the taxpayer must show that the item has been taken into income in order to claim a bad debt deduction. Treas. Reg. § 1.166-1(e).

Section 805(a) of the 1986 Tax Reform Act repealed the reserve method of accounting for bad debts for taxable years beginning after December, 31, 1986. All taxpayers (with the exception of certain financial institutions) must use the specific charge-off method of accounting for bad debts for taxable years beginning on or after January 1, 1987. P.L. 99-514, § 805(a), 100 Stat. 2085, 2361, 1986-3 C.B. (Vol. 1) 2, 278.

In essence, a bad debt deduction may be warranted to the extent that a taxpayer can demonstrate that an amount is

uncollectible and that the amount was taken into income.

In the case at hand, however, the Taxpayer has not demonstrated that any portion of \$█ became uncollectible in the █ year, and consequently, no portion of \$█ qualifies for the bad debt deduction in said year. To the extent that credits and refunds were, in fact, issued in the █ year (and assuming that said amount had been taken into income), the Taxpayer would arguably be entitled to the bad debt deduction in the █ year.

C. The Nonaccrual Experience Method

I.R.C. § 448(d)(5) provides that in the case of any person using an accrual method of accounting with respect to amounts to be received for the performance of services by such person, such person shall not be required to accrue any portion of such amounts which, on the basis of experience, will not be collected.

Treas. Reg. § 1.448-2T(b) specifies that the nonaccrual experience method is to be treated as a method of accounting under the Code. This method of accounting is not available where interest or penalty is required to be paid for failure to timely pay any amounts due. Treas. Reg. § 1.448-2T(c)(1). Furthermore, this method may be used only with respect to amounts earned by the taxpayer and otherwise recognized in income through the performance of service by such taxpayer.

Because the nonaccrual experience method qualifies as a method of accounting, the taxpayer must elect to use this method of accounting by filing a Form 3115, "Application for Change in Accounting Method." See Treas. Reg. § 1.448-2T(h).

In the case at hand, the Taxpayer did not elect the nonaccrual experience method of accounting, and consequently, may not rely on I.R.C. § 448(d)(5) to justify or support the exclusion of estimated uncollectible from income.

II. Second Proposed Adjustment (Exhibit B)

A. I.R.C. § 481(a) Adjustment

1. Facts

The Taxpayer used the cash method of accounting for taxable year ended █; beginning with the █ year, the Taxpayer converted to an accrual method of accounting. The Taxpayer computed its I.R.C. § 481(a) adjustment as of █ (i.e. █), which would be recognized in income ratably over four tax

periods. See Taxpayer's computation, attached hereto as **Exhibit F**.

The starting point of the Taxpayer's I.R.C. § 481(a) computation was accounts receivable of \$█, which excluded a bad debt reserve of \$█.¹⁰

Exam believes that for tax purposes, the amount of \$█ should not have been excluded and proposes to increase the I.R.C. § 481(a) adjustment for the year at issue by \$█ (i.e., one-fourth of \$█).

Attached hereto as **Exhibit H** is the Taxpayer's write-up on this issue.

2. Law and Analysis

Treas. Reg. § 1.446-1(a)(1) defines the term "method of accounting" to include not only the over-all method of accounting of a taxpayer but also the accounting treatment of any item of gross income or deduction.

Treas. Reg. § 1.446-1(e)(2)(ii)(a) defines the term "change in the method of accounting" to include a change in the over-all plan of accounting for gross income or deductions and a change in the treatment of any material item used in this plan.

A material item refers to any item that involves the proper time for the inclusion of the item in income or the taking of a deduction. See Knight-Ridder Newspapers, Inc. v. United States, 743 F.2d 781, 798 (11th Cir. 1984). The treatment of any material item of income or expense constitutes an accounting method. Treas. Reg. § 1.446-1(e)(2)(ii)(a). An item is any recurring element of income or expense.

I.R.C. § 481 prescribes the rules to be followed in computing taxable income where there is a change in the taxpayer's method of accounting. In computing the taxable income for the year of the change, adjustments are taken into account to prevent amounts from being duplicated or omitted as a result of the change in the method of accounting. I.R.C. § 1.481-1(a)(1) defines the term "year of the change" as the taxable year for which the income of a taxpayer is computed using a method of

¹⁰ With respect to \$█, Taxpayer's document, attached hereto as **Exhibit G**, states: "An Allowance for Doubtful Accounts of \$█ has been set up by management based on the historical bad debts."

accounting different from that used in the immediately preceding taxable year. Treas. Reg. § 1.481-1(a)(1).

I.R.C. § 481(b) imposes a limitation on tax for the taxable year of the change that is attributable to the adjustment required by I.R.C. § 481(a) if the entire amount of the adjustment is taken into account in the year of change and the adjustment increases the taxpayer's taxable income for the year of the change by more than \$3,000. With I.R.C. § 481(b), Congress tried to lessen the hardship caused by taking a substantial I.R.C. § 481(a) adjustment into account in one tax year.

If the change in method of accounting is voluntary (i.e., initiated by the taxpayer), a positive I.R.C. § 481(a) adjustment is usually spread over four tax periods. See Rev. Proc. 97-27, 1997-1 C.B. 680, modified by Rev. Proc. 2002-19, 2002-13 I.R.B. 696.

Where the change is involuntary (i.e., initiated by the Service), the adjustments are limited to post-1953 items, see Treas. Reg. § 1.481-1(c)(4), and the Service makes the change in the earliest year under audit. See § 2.10 of Rev. Proc. 97-27, 1997-1 C.B. 680; see, e.g., Tech. Adv. Mem. 96-40-003 (Dec. 21, 1995) and Tech. Adv. Memo. 96-49-006 (Aug. 22, 1996).

In the case at hand, we agree with Exam that the Taxpayer understated its I.R.C. § 481(a) adjustment by improperly excluding a bad debt reserve in the amount of \$█ from its accounts receivable, and we further agree that the Taxpayer's income for the year at issue should be increased by \$█¹¹

B. I.R.C. § 1374 Tax

A subchapter S corporation is subject to tax on any appreciated assets held on the day it converts from a subchapter C to a subchapter S corporation. I.R.C. § 1374(a) imposes a tax on the income of any S corporation that has a net recognized built-in gain for any taxable year beginning in the "recognition period," as defined in Treas. Reg. § 1.1374-1(d). Net recognized built-in gain is defined in I.R.C. § 1374(d)(2) as the lesser of (a) the amount which would be the subchapter S corporation's taxable income if only recognized built-in gains and recognized built-in losses were taken into account, or (b) the S

¹¹ The █ year is barred by the statute of limitations on assessment; consequently, the Service is prevented from making a similar adjustment to the Taxpayer's █ return.

corporation's taxable income for such taxable year, as determined under I.R.C. § 1375(b)(1)(B). The terms "recognized built-in gain" and "recognized built-in losses" are further defined in I.R.C. § 1374(d)(3). Moreover, I.R.C. § 1374(d)(5) provides that any item of income properly taken into account during the recognition period, which is attributable to the period before the subchapter S election, shall be treated as recognized built-in gain.

The issue in this case is whether an increase in the I.R.C. § 481(a) adjustment proposed by Exam results in additional built-in gains tax under I.R.C. § 1374. This precise issue was addressed by the Tax Court in Argo Sales Company, Inc. v. Commissioner, 105 T.C. 86 (1995). There, the I.R.C. § 481(a) adjustment was to be included in income over six tax periods. Beginning in the fourth tax period, the petitioner elected to convert from a subchapter C to a subchapter S corporation. The Commissioner had determined that the I.R.C. § 481(a) adjustment for the final three tax periods was subject to the I.R.C. § 1374 built-in gains tax. The Tax Court found that the I.R.C. § 481(a) adjustment resulted from an accounting method change that occurred while the petitioner was a subchapter C corporation, subject to the corporate income tax, and that the I.R.C. § 481(a) adjustment clearly represented untaxed corporate income which I.R.C. § 1374 was designed in part to tax. See also Treas. Reg. § 1.1374-4(d); Rondy, Inc. v. Commissioner, T.C. Memo. 1995-372.

Similarly, in the case at hand, we agree with Exam that an increase in I.R.C. § 481(a) adjustment results in additional built-in gains tax under I.R.C. § 1374. As in Argo Sales Company, Inc., the I.R.C. § 481(a) adjustment represents untaxed corporate income and is subject to tax under I.R.C. § 1374.¹²

III. Third Proposed Adjustment (Exhibit C)

█
(b)(7)a, (b)(5)(AC), (b)(5)(AWP)
█

¹² The Taxpayer's representative has asked whether the Taxpayer could recognize a built-in loss in a subsequent tax year when some of the accounts receivables become uncollectible. Treas. Reg. § 1.1374-4(f) provides that a bad debt deduction under I.R.C. § 166 that is taken into account during the first year of the recognition period is recognized built-in loss if the item arises from a debt owed to an S corporation at the beginning of the recognition period. The recognition period is the 10-year (120 months) period beginning on the first day the corporation is an S corporation.

, , (b)(7)a, (b)(5)(AC), (b)(5)(AWP)

, , (b)(7)a, (b)(5)(AC), (b)(5)(AWP)

, (b)(7)a, (b)(5)(AC), (b)(5)(AWP)

, (b)(7)a, (b)(5)(AC), (b)(5)(AWP)

If you have any questions, please contact █ at

█.

cc: Barbara M. Leonard, Associate Area Counsel, CTM